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SUBJECT: Brazil: Pragmatism, Uncertainty Temper Theory at Leftist  
Conclave

REF: A. Sao Paulo 0367

SENSITIVE BUT UNCLASSIFIED--PLEASE PROTECT ACCORDINGLY

¶1. (U) Summary: The ongoing financial crisis is focused on the core countries of the world economy, and so opens opportunities for Brazil and other South American countries to assert themselves, according to participants in a June 20-21 international meeting of leftist organizations in Sao Paulo. GOB International Advisor Marco Aurelio Garcia lauded leftist policies that stimulated local demand as providing a buffer against the economic crisis. Aurelio Garcia urged South American unity and warned against giving in to protectionist pressures. GOB Finance Ministry Secretary for Economic Policy Nelson Barbosa responded to criticisms of GOB policies by reminding the audience that responsible leadership differs from simple criticism. He told the activists in attendance that the GOB needs to support the IMF, that the U.S. dollar will remain the world's reserve currency, and that GOB help to Brazilian companies was necessary to preserve jobs. For an overtly leftist gathering, the tone of the discussion reflected a certain pragmatism, owing to the Workers Party's (PT) role as a governing force. End Summary.

¶2. (U) A variety of leftist organizations -- including the ruling Workers Party (PT), the Communist Party of Brazil (PCdoB), the Perseu Abramo Foundation (a PT think tank), Mauricio Grabois Foundation (a PCdoB think tank), and Corint (French communist organization)-- sponsored a June 20-21 conference on the financial crisis in Sao Paulo. Featured government guests were President Lula's International Advisor Marco Aurelio Garcia and Finance Ministry Secretary for Economic Policy Nelson Barbosa. A number of speakers from other countries participated, including Jorge Beinstein, economist and professor of the Buenos Aires University; Avtar Sadiq, secretary of the Communist Indians of Great Britain; Sergio Ribeiro, member of the Portuguese Communist Party; Christopher Matlhako, member of the Communist Party of South Africa, and Gyula Thirmer, political scientist from Budapest. Several hundred people attended the conference.

Crisis at the Core Creates Opportunity

¶3. (U) The meeting's main theme was that the present financial crisis mainly affects "the core" of the global economic system, the U.S. economy in particular. Developing countries on the "periphery" have been far less affected. In the view of the speakers, this opened up huge opportunities to advance socialist programs.

Marco Aurelio Garcia: Multi-polarity/South American Solidarity

¶4. (U) Of the two GOB speakers, Marco Aurelio Garcia most closely followed the conference's overall ideological line. In his view, the crisis affects "the heart" of the capitalist world, but, thanks to leftists in places like Venezuela and Brazil, some countries are relatively insulated. "We, the leftists, stopped the previous government (Fernando Henrique Cardoso) from privatizing the Bank of Brazil, Caixa Econômica Federal, Petrobras, and the Brazilian National Development Bank (BNDES)," he said. "We must be very proud of ourselves because these institutions proved to be fundamental for the government in dealing with the financial crisis. If they had been privatized, Brazil would be in a much more difficult situation today."

¶5. (U) Aurelio Garcia maintained that leaders like Hugo Chavez and Evo Morales bring stability to Latin America by promoting social inclusion. He urged Brazil to deepen economic, cultural, and political ties across the continent so that South America could have regional unified voice in an increasingly multi-polar world. In this connection, he said that relations with the United States should have priority, in contrast, as he put it, "to what some retired diplomats" are saying. (Note: The last comment was a not-so-veiled reference to comments from three retired Brazilian ambassadors--Ricardo Abdenur, Rubens Barbosa, and Sergio Amaral--who have long argued that Brazil's Ministry of External Relations pays too little attention to the United States. End Note.)

¶6. (U) Aurelio Garcia concluded his remarks on a moderating note, stating that all countries in the region must avoid protectionism because it could "destroy us."

Nelson Barbosa: Lessons in Pragmatism

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¶7. (U) Secretary for Economic Policy for the Finance Ministry Barbosa received some tough questions from the audience, which revolved around the following themes:

-Why did Brazil agree at a recent BRIC meeting in Russia to lend the IMF USD 10 billion? The IMF is just a "capitalist instrument" that has hurt poor countries.

-When will there be a new global currency to replace the dollar?

-Why has the GOB moved to help Embraer, a company that has laid off workers?

¶8. (U) Barbosa noted that since there is no replacement yet for the IMF, it makes sense for Brazil to contribute to the organization and shape its policies. In a similar way, there is no replacement yet for the dollar. No one has designed a mechanism for establishing the exchange rate between the dollar and a new global currency. Barbosa also said that failing to help a local industry like Embraer would only cost more jobs.

Uncertainty Ahead

¶9. (U) While conference participants were generally optimistic about the prospects for leftist advance - they cited a number of left-wing governments that have recently taken power in Latin America, including Venezuela, Chile, Argentina, Uruguay, Bolivia, Paraguay, and Ecuador - there were also notes of anxiety. Some participants warned that an economic crisis could drive politics to the right as well as the left, citing recent trends in Europe. Professor Luis Fernandez of the Catholic University of Rio de Janeiro expressed concerns that the "decline of U.S. leadership" (hegemony) could open spaces for instability.

¶10. (SBU) Comment: The most striking element of the conference was the relatively subdued, pragmatic tone to the discussions. Despite the ongoing economic crisis, important GOB participants defended Brazil's contribution to the IMF, the U.S. dollar, state help for job-creation, export-oriented companies, and urged resistance to protectionism. The PT's time in power has moderated at least some elements in the party by saddling them with the responsibility for governing. Moreover, Brazil's prosperity and desire to be a global

player made it more difficult for PT supporters to adopt a simplistic, contrarian approach to international economic questions. The attacks on the Cardoso government should be seen in the context of Brazil's 2010 Presidential election in which the PT is polling behind the anticipated candidate from Cardoso's party, Sao Paulo governor Jose Serra. End Comment.

11. (U) This cable was coordinated/cleared by Embassy Brasilia.

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